J Manag Gov (2012) 16:37–55
DOI 10.1007/s10997-010-9128-3

The changing role of the supervisory board chairman: the case of the Netherlands (1997–2007)

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Published online: 2 February 2010

Abstract Over the last ten years, the corporate governance context in most Western countries has changed as a result of irregularities, increased regulation, heightened societal expectations and shareholder activism. This paper examines the impact of the changing context on the role of chairmen of supervisory boards in the Netherlands. Based on a combination of thirty semi-structured interviews with board members of leading Dutch corporations and secondary data on the position of supervisory board chairmen at the top-100 listed firms in the Netherlands, the study reveals that board chairmen have become increasingly involved in both their control and service roles. While the demographics (i.e., age, tenure, gender and nationality) of chairmen have hardly changed over the last decade, chairmen are spending considerably more time on boards and committees, have reduced the number of board interlocks and have become more active on the forefront of the corporate governance discussion. The paper highlights several implications for scholars and practitioners.

Keywords Board of directors · Supervisory board chairman · Board roles · Corporate governance developments · The Netherlands

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1 Introduction

Over the last decade, the corporate governance system in most Western countries has changed significantly. Global mobility of capital and the spread of the Anglo-American shareholder value model have fueled the debate on corporate governance practices around the globe (Fiss and Zajac 2004; Ingley and Van Der Walt 2005; Kiel and Nicholson 2003; Yoshikawa et al. 2007). Moreover, in the wake of corporate governance scandals, financial markets have introduced stringent corporate governance regulations such as the Sarbanes–Oxley Act, EU Company Law Directives and numerous national corporate governance codes (Aguilera and Cuervo-Cazurra 2004; Enrione et al. 2006; Sheridan et al. 2006). A communality in these reform initiatives has been the emphasis on (i) restoring the public's trust and (ii) ensuring that appropriate "checks and balances" are put in place in the regulatory system and corporations (Daily et al. 2003). Among others, the rights and duties of shareholders, the importance of financial transparency and risk management, and the fiduciary role of auditors have been addressed and redefined in these corporate governance reform initiatives.

Another key topic of debate has been the appropriate role of boards of directors in changing corporate governance systems (Corley 2005; Huse 2007; Huse and Rindova 2001). Scholars have noted that expectations for boards' involvement in decision-making and supervision have changed and that board roles and structures in most Western countries are evolving as a result (Akkermans et al. 2007; Bezemer et al. 2007; Chhaochharia and Grinstein 2007; Hillier and McColgan 2006; Hooghiemstra and Van Manen 2004; Long 2006; Samuels et al. 1996; Valenti 2008; Wintoki 2007). Particularly, two factors are contributing to this development. *First*, multiple corporate governance reform initiatives, in line with principles of the agency theory, are being introduced to strengthen board control and board independence (Daily et al. 2003; Enrione et al. 2006; Finegold et al. 2007). *Second*, boards of directors have come under closer scrutiny of the public and shareholder activists (Cogut 2007; Loring and Taylor 2006; Wu 2004). As a consequence, members of boards of directors are increasingly faced with the challenge to "demonstrate effective leadership, quality decision-making processes and the ability to exercise corporate controls" (Long 2006, 547).

Whereas the influence of changing societal expectations on roles and structures at board level is fairly well-established, the consequences for the role of individual board members have received less scholarly attention. In this paper, we posit that, in particular, the chairman of the board of directors may be subject to changing role expectations, as he is most visible to the outside world (Kakabadse and Kakabadse 2007a; 2007b; Roberts 2002). Given the chairman's responsibility for (i) counterbalancing the power of the CEO and (ii) the functioning of the board of directors (Hill 1995; McNulty and Pettigrew 1999), the changing role requirements might in fact have a far-reaching impact on the checks and balances within corporations. Yet, to date, relatively little is known about (i) contemporary challenges for chairmen (ii) the evolution of the chairman's role versa key organizational bodies and individuals such as the CEO, and (iii) the drivers of the changing role of chairmen of boards of directors (e.g., Kakabadse et al. 2006; Kakabadse and Kakabadse 2007a, 2007b; Roberts 2002; Roberts and Stiles 1999).

By exploring the evolving role of chairmen of boards of directors in the Dutch context, we contribute to the literature in three ways. *First,* while prior research in general has examined the impact of environmental change on the role of the board of directors as a group, we explore its influence on the role fulfillment of the board's main individual actor, i.e., the chairman. Our results highlight that several environmental developments have significantly altered the level and scope of chairmen' involvement and working styles. Interestingly, the opinions regarding the performance implications of the evolving role of board chairmen vary widely within our sample. *Second,* we illustrate that the changing role of board chairmen has co-evolved with their structural position. Our empirical results illustrate that the chairmen' increasing responsibilities are reflected in higher levels of cash payment, more turnover and fewer additional supervisory board positions (interlocks). Simultaneously, the demographic profile of the chairmen (i.e., age, tenure, gender and nationality) remained similar, suggesting a disconnection between demographics and role fulfillment. *Third*, while one-tier boards have been investigated quite extensively, we provide a more thorough understanding of the challenges that board chairmen face on two-tier boards. We illustrate that the legal separation of decision control from decision management in two-tier boards adds an extra layer of complexity to the changing societal expectations of board chairmen. Thereby, we highlight the opportunities and drawbacks chairmen face while operating in alternative board models.

The paper is structured as follows: section one describes recent developments, the two-tier board model and reform initiatives in the Netherlands. Section two summarizes previous research on the roles of the chairman of the board of directors in one-tier and two-tier boards. Section three describes the research method, i.e., a combination of 30 semi-structured interviews with CEOs and chairmen and archival data on the structural position of chairmen in top-100 listed firms in the Netherlands. Section four portrays the evolution of the role of the supervisory board chairman during the period 1997–2007 and discusses the drivers and consequences of board trends. Section five concludes with a discussion of our key empirical findings and highlights the implications for the market for chairmen, activities of corporations, and the viability of the two-tier board model.

2 The Dutch corporate governance system

The roots of the contemporary Dutch open-economy can be found in the glory days of the Golden Age. In this era, when the Netherlands were one of the largest trading nations, the Dutch founded the 'Dutch United East India Company', the first joint stock company in the world. With a small group of large, internationally diversified firms and a GDP that is dependent on foreign investment and trade (more than 60%), the Dutch trade origins and international orientation are still prominent. The Netherlands are a welfare state with a long tradition of balancing the interests of societal groups. The Dutch corporate governance system is unique in the sense that company law explicitly defines corporations as legal entities which must take into account the rights of all stakeholders affected by the company. The institutionalized stakeholder approach is supported by a two-tier board model consisting of a management board and a supervisory board. The supervisory board solely consists of non-executive directors to assure its independence and has the duty by law to supervise and advise the management board while acting in the best interests of the company and all stakeholders involved (Akkermans et al. 2007; De Jong et al. 2005, 2006; Hooghiemstra and Van Manen 2004; Maassen 1999; Maassen and Van Den Bosch 1999).

Over the last decade, the corporate governance landscape in the Netherlands has changed dramatically with the internationalization of the shareholder base of listed firms. Particularly, the share of Anglo-American oriented investor groups (Abma 2006) and the number of foreign directors have increased (Spencer Stuart 2006a, b). As a result, board members are more exposed to foreign investors' corporate governance expectations and their willingness to actively challenge boards of directors. Examples of "successful" shareholder activism by foreign investors are the ABN AMRO takeover by a consortium led by the now split up Fortis Bank, and Stork, a Dutch technology company, where a hedge fund forced the corporation to restructure. Corporate governance scandals (e.g., Ahold, Enron, WorldCom and Parmalat) also have fueled the Dutch debate and contributed to amendments to the Dutch company law in 2004 and the introduction of a new corporate governance code, the Tabaksblat Code, in 2003, which was amended by the committee Frijns in 2008. In sum, these developments have contributed to a convergence of the institutionalized stakeholder model and the Anglo-American shareholder model in the Netherlands (Bezemer et al. 2007).

3 The position of chairmen on one-tier and two-tier boards

Traditionally, the primary responsibility of the board of directors has been to control the top management team to ensure that executives act in the interests of shareholders. The boards' control role is rooted in agency theory and deemed necessary for counteracting managerial opportunism that may arise as a result of the separation of corporate ownership from management (Davis et al. 1997; Zahra and Pearce 1989). In addition, scholars have recognized the service role of boards, i.e., board members may positively contribute to corporate decision-making by providing advice and counseling to executive directors (Huse 2005, 2007; Zahra and Pearce 1989). Both board roles appear to be conflicting as the control role requires board independence, distance and a focus on the prevention of managerial opportunism, while the service role requires from directors interdependence, closeness and a focus on joint value creation (Forbes and Milliken 1999; Van Hamel et al. 1998; Sundaramurthy and Lewis 2003).

The control and service roles of boards are organized differently in corporate governance systems around the globe. Most investors are familiar with the one-tier board model in which executives and non-executives are jointly responsible for both roles. In this model, executive directors provide in-depth knowledge of the daily operations of the corporation and may raise issues that might otherwise have been neglected in board meetings (Davis 1991; Kesner and Johnson 1990; Muth and Donaldson 1998). The presence of executive directors enables the board to contribute to the decision-making process and to evaluate the outcomes (Maassen 1999; Williamson 1985) at greater speed with fewer bureaucratic hurdles (Davis 1991; Muth and Donaldson 1998). However, scholars have observed that insider dominated boards may overlook the opportunities that outsiders may offer in terms of alternate knowledge (Carpenter and Westphal 2001; McNulty and Pettigrew 1999; Rindova 1999) and external relationships (Boyd 1990; Mizruchi 1996; Pfeffer and Salancik 1978; Westphal et al. 2001). Insider dominated boards may also jeopardize checks and balances as non-executive directors may be better able to provide independent board control (Daily et al. 2003; Sundaramurthy and Lewis 2003).

While the one-tier model integrates decision management and decision control (Fama and Jensen 1983), the two-tier board model provides for a formal separation of executive and non-executive directors who operate in separate boards with their own specific roles. Executive directors are responsible for the day-to-day operations of the firm and the supervisory board is responsible for the supervision of management and for providing advice and counseling to executives (Christensen and Westenholz 1999; Hooghiemstra and Van Manen 2004; Maassen and Van Den Bosch 1999). The independence of the board from management is provided by law to ensure that “checks and balances” are in place as the supervisory board has the duty to act in the best interests of the firm and its stakeholders. Non-executives also may bring in useful resources and knowledge. For instance, directors of banks have always played an important role in the inter-corporate network in the Netherlands (Heemskerk 2007). A disadvantage of the two-tier system, however, is the additional bureaucratic burden on the corporation that may hamper the speed of decision-making (Maassen 1999; Muth and Donaldson 1998) and create information asymmetries among executive directors and non-executive directors (Davis 1991; Hooghiemstra and Van Manen 2004).

Scholars have observed that chairmen of boards perform their role(s) in a wide variety of ways in different board models (Kakabadse and Kakabadse 2007a; Stewart 1991). However, all board chairmen are responsible for: (i) the conduct and composition of the board (ii) determining the agenda of board meetings (iii) appointing and dismissing the CEO (iv) chairing the annual general meeting of shareholders and (v) ensuring that all board members have the necessary information to perform their job (Hill 1995; McNulty and Pettigrew 1999; Roberts and Stiles 1999). Furthermore, the chairman’s responsibility to maintain a healthy bilateral dialogue with managing directors is often posited as critical to the effectiveness of boards of directors and their contribution to a firm’s long-term survival (Kakabadse and Kakabadse 2007a).

While the basic role expectations of chairmen are shared on one-tier and two-tier boards, the differences between both board models have a significant imprint on the role and position of chairmen. Whereas the role of board chairmen in the two-tier model is to refrain from day-to-day management of the firm and to focus on decision control, chairmen of one-tier boards are often actively involved in both decision management and decision control. Instead of being a distant monitor, board chairmen in one-tier boards are often operating as “chairman-leader”. Parker (1990, 35), for example, describes that the typical board chairman “entertained important customers and shareholders; that he spoke for the company in the City and elsewhere; and when appropriate, conducted high-level negotiations with governments and major customers”. Accordingly, Garratt (1999, 33) argues that “CEOs need to accept that the chairman is the boss of the board. The managing director, or CEO, is the boss of the operations of the company”. Furthermore, Treadwell (2006, 66) posits that the “chairman is the primary interface with the institutions along with the CEO and the finance director”. In sum, these studies highlight that while board chairmen in two-tier boards are mainly responsible for ensuring that the board of directors adequately supervises management, board chairmen on one-tier boards more often operate at the forefront and appear to have broader responsibilities.

The different role requirements also manifest themselves in the structural position of board chairmen. For example, in the two-tier model, chairmen cannot hold the position of CEO or another executive position in the firm simultaneously. However, CEO duality is not uncommon for one-tier boards (Faleye 2007; Davidson et al. 2008; Spencer Stuart 2006a, b, 2008). Furthermore, as a result of the supervisory board chairmen' distance from daily management, the liabilities of chairmen in two-tier boards are generally significantly lower compared to chairmen who have the same legal position as executive directors. Finally, the average time spent on a board chairmanship is significantly higher on one-tier boards as the responsibilities generally appear to be broader than for chairmen of two-tier boards. As a consequence, board chairmen of one-tier boards generally earn significantly more than chairmen on supervisory boards (Spencer Stuart 2006a, b). Table 1 provides a concluding summary of the main communalities and differences between the role and position of chairmen in both board models. In the remainder of this paper, we will discuss how the traditional role and position of the supervisory board chairman have evolved during the period 1997–2007 in the Netherlands.

4 Research method

To analyze the evolving role of supervisory board chairmen in the Netherlands between 1997 and 2007, we utilize two research methods. In collaboration with Spencer Stuart Amsterdam, thirty semi-structured interviews were held in 2007/2008 with supervisory board chairmen and CEOs of listed firms on the NYSE Euronext in the Netherlands (see Appendix A). As to the selection of participants, we used convenience sampling (all interviewees were contacts of Spencer Stuart Amsterdam), given well-known difficulties for researchers to obtain access to individuals at this level of analysis (Daily et al. 2003; Pettigrew 1992). We approached both supervisory board chairmen (22) and CEOs (8). We chose this approach in order to ensure that we obtained a comprehensive overview where CEOs might highlight other environmental developments and related changes in role expectations of board chairmen than the chairmen. As the participants were

Table 1 Role of the chairman in different board models

	One-tier board model	Two-tier board model
Board characteristics		
Composition	Executive and non-executive directors operate in one board	Executive and non-executive directors operate in separate boards
Committees	Mandatory or recommended	Recommended
Orientation	Shareholder/Stakeholder oriented	Stakeholder oriented
Countries	Most countries, among others used in the United Kingdom and United States	Quite uncommon. Among others used in Germany and the Netherlands
Chairman's characteristics		
CEO Duality	Possible	Not possible
Independence	Not necessary	Required
Authority, liability	Same (legal) position as executives	Different (legal) position as executives
Tasks, responsibilities	Co-directing	Supervising
Time spent on chairmanship	More than in two-tier board model	Less than in one-tier board model
Chairman's role		
Corporate governance code provisions	The chairman is responsible for leadership of the board, ensuring its effectiveness of all aspects of its role and setting its agenda. The chairman is also responsible for ensuring that the directors receive accurate, timely and clear information. The chairman should ensure effective communication with shareholders. The chairman should also facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors (UK; Financial Reporting Council 2003, 2008)	The chairman of the supervisory board shall ensure the proper functioning of the supervisory board and its committees, and shall act on behalf of the supervisory board as the main contact for the management board and for shareholders regarding the functioning of the management and supervisory board members. In his capacity of chairman, he shall ensure the orderly and efficient conduct of the general meeting (NL; Monitoring Commission 2008)

Sources: Maassen 1999; Spencer Stuart 2006a, b and 2008; Monitoring Commission 2008; Financial Reporting Council 2003, 2008

asked to reflect on the developments during the period 1997–2007, we made sure that they already had experience with supervisory boards in 1997, so that all participants at least had a senior management position in 1997. The thirty interviews lasted one to two hours and were conducted in the mother tongue of the interviewee (Dutch or English). Given the sensitivity and confidentiality of the discussions, we were not allowed to record the interviews. Notes were taken by two interviewers and interviewees were asked to fill in a short questionnaire. Among others, directors were asked to provide a top-3 of changes in their environments and a top-3 of implications for the role of the supervisory board chairman.

We also collected archival data on the structural position of the chairmen of supervisory boards of the top-100 listed companies at the NYSE Euronext in

Amsterdam. The companies operate in multiple industries (construction, financial services, manufacturing, communication, wholesale and retail) and significantly contribute to the Dutch economy. Top-100 lists were created by calculating the average market capitalization of all corporations listed at the NYSE Euronext in Amsterdam during a specific year. We collected data on supervisory board chairmen for the years 1997, 2001 and 2005 in order to portray the position of chairmen at regular time intervals. The year 1997 is a natural starting point as this was when the first Dutch corporate governance code was published that initiated a national debate on corporate governance and the role of supervisory boards. The data were obtained from the *Spencer Stuart Netherlands Board Indexes* that contain information on non-executive directors who occupied more than 5,000 supervisory board positions in the Netherlands during the period 1997–2005. The data were checked and complemented by information obtained from annual reports and the Thompson, BoardEx and Reach databases.

To analyze the structural position of the supervisory board chairman over time, we tracked chairmen' demographics, network position, board activities, remuneration and turnover. More specifically, we collected the following *demographic information*: (i) the age in number of years (ii) the tenure in a focal firm in number of years (iii) gender and (iv) nationality. The *network position* of chairmen was mapped with (i) the number of additional board positions of a chairman at other top-100 listed firms and (ii) the number of additional chairmanships at other top-100 listed firms in the Netherlands. To portray the *board activities* of chairmen, we used two indicators for the formal involvement of chairmen in corporate decision-making: (i) the number of chaired board meetings during a specific year and (ii) the number of board committees they worked with during a specific year. We also collected data on chairmen' annual cash *remuneration* in Euros and *turnover* as the percentage of the chairmen whose contracts expired during a specific year. Finally, we statistically analyzed differences with independent-samples *t*-tests.

5 Empirical findings

Scholars and practitioners have observed that corporate governance has been in transition over the last decade (i.e., Ingley and Van Der Walt 2005; Kiel and Nicholson 2003). Yet, to date, relatively little is known about (i) which environmental changes are perceived as important by supervisory board chairmen (ii) what these developments imply for their day-to-day functioning, and (iii) how their structural position (i.e., demographics, network position, board activities, remuneration and turnover) has co-evolved with changes in the environment. In the following paragraphs these aspects will be discussed.

5.1 Key developments in the Dutch corporate governance context (1997–2007)

Table 2 provides an overview of the five main trends that supervisory board chairmen and CEOs of the largest listed firms in the Netherlands observe. The most significant development has been the expansion of the regulatory framework,

Table 2 The changing institutional context of Dutch supervisory boards (1997–2007)

	Institutional developments in the Netherlands	Perceptions chairmen ($n = 22$)	Perceptions CEOs ($n = 8$)
1	Stronger focus on regulation and compliance (i.e., SOX, IFRS and the Dutch corporate governance code)	13 (66.7%)	7 (87.5%)
2	Increasing influence of (activist) shareholders and more espousal and implementation of a shareholder value orientation	11 (50.0%)	4 (50.0%)
3	Corporate governance scandals (i.e. Enron, Parmalat, WorldCom and Ahold)	7 (31.8%)	2 (25.0%)
4	Increasing convergence of one-tier and two-tier boards	6 (27.3%)	2 (25.0%)
5	Increasing media attention for the functioning of supervisory boards and societal claims for heightened levels of transparency	5 (22.7%)	0 (0.0%)

including the introduction of the Sarbanes–Oxley Act (2002), the second Dutch corporate governance code (2003) and IFRS (2005). In particular, CEOs highlight the significance of this development. Fifty per cent of the interviewed directors refer to the growing influence and rights of shareholders, heightened levels of shareholder activism and an increasing focus on shareholder value in the day-to-day operations of firms. As a third development, supervisory board chairmen (32%) and CEOs (25%) mention the international wave of corporate governance scandals as this has fueled the attention for corporate governance of regulatory bodies and society. Furthermore, interviewees observe (about one quarter) the convergence of the one-tier board model and the two-tier board model, where executives and non-executives tend to work more intensively together than traditionally in the two-tier model (Hooghiemstra and Van Manen 2004; Maassen 1999; Maassen and Van Den Bosch 1999). One director even remarked that “The Anglo-Saxon one-tier board system is in fact already the board system used by Dutch supervisory and executive boards”. Finally, 23% of the board chairmen mentioned that media attention for the functioning of supervisory boards and the call for more transparency and accountability have increased. Overall, supervisory board chairmen and CEOs seem to observe the same key environmental changes in the Dutch corporate governance context.

5.2 Key implications for the role of supervisory board chairmen (1997–2007)

Interviewees were asked to reflect on the implications of the changes for the functioning of supervisory board chairmen. Table 3 provides an overview of the most mentioned implications. *First*, a majority of the directors mention that supervisory board chairmen are more in a leadership role and more visible than in the past, while their responsibilities have broadened (implication 1). More specifically, 44% of the directors emphasize that the amount of board control has significantly increased and that the level of discretion of executives has become more limited (implication 3). Two supervisory board chairmen exemplified this development as follows: “Today’s supervisory board chairman keeps the CEO more on his toes” and

Table 3 The implications for the supervisory board chairman (1997–2007)

	Key changes role supervisory board chairmen	Perceptions chairmen ($n = 22$)	Perceptions CEOs ($n = 8$)
1	The supervisory board chairman has become more visible to society; more in a leadership role than in the past	19 (86.4%)	4 (50.0%)
2	The workload of the supervisory board chairman has increased significantly; more intensive relationship with the CEO	16 (72.7%)	3 (37.5%)
3	Stronger focus on board control and monitoring; less space for intuition and chairman as a sparring partner/trusted advisor	8 (36.4%)	5 (62.5%)
4	Better understanding of role expectations, involved risks and need for board/personal accountability	6 (27.2%)	1 (12.5%)
5	More and earlier involvement in key strategic decision making processes	6 (27.2%)	0 (0.0%)
6	More intensive communication with shareholder groups and other stakeholders	6 (27.2%)	0 (0.0%)
7	Working style has become more cautious, formal and pro-active; as reputation risks have increased significantly	4 (18.2%)	1 (12.5%)
8	Increased attention for the second echelon; next to attention for the management board	3 (13.6%)	0 (0.0%)

"In today's world, supervisory board members are supervisors rather than sparring partners". Simultaneously, 27% of the board chairmen mentioned that they have become more and earlier involved in strategic decision-making (implication 5). Moreover, 18% of the chairmen stated that they communicate more with shareholders and other stakeholders (implication 6). For instance, one supervisory board chairman remarked that in particular, "there are more contacts between the chairman and institutional investors. I am definitely more exposed than in the past". Supervisory board chairmen report that they are struggling with new role expectations as these seem to be in conflict with independent board control. Two supervisory board chairmen observed that "capital markets expect more from the supervisory board chairman than usual in the two-tier system" and put forward that "supervisory board directors should not be afraid to step into the shoes of the CEO if necessary".

The changing governance context in the Netherlands is affecting the working style of the supervisory board chairman as well. A majority of the interviewees (63%) observe that the workload of supervisory board chairmen has significantly increased (implication 2). Particularly, interviewees mention that the relationship between the chairman and CEO has intensified. A chairman phrases the potential benefit of more involvement as follows: "A one-tier supervisory directorship takes more time. But then you will be present when all important decisions are made". Furthermore, 23% of the directors remarked that the changing context has led to a better understanding of their own role requirements and the need for more board and personal accountability (implication 4). One chairman put it as follows: "Self-evaluation was a bit of a joke when I first put it on the agenda. Today, however, it has become a regular annual item on the board agenda". Furthermore, 18% of the supervisory board chairmen also witness a more cautious, pro-active and formal working style as a result of the increasing liabilities (implication 7). Finally, 10% of the interviewees mention that the relationship of the chairman with the second management echelon has intensified and chairmen do not focus solely on the management board anymore (implication 8).

Although supervisory board chairmen observe the benefits of the increased level and scope of their involvement, they are outspoken on potential disadvantages as well. For instance, fifty per cent of the supervisory board chairmen consider laws and regulations as an obstacle that may lead to risk-avoiding behavior: “I observe that increasingly responsibilities are put on the plate of supervisors; I observe that supervisors increasingly consult lawyers for legal advice”, “SOX is a disaster and the Dutch corporate governance code relies too much on the UK Combined Code” and “the focus on legal responsibilities is too strong; governing is no longer self-evident”. The remaining fifty per cent and most CEOs consider regulations to be a useful guideline for the improvement of corporate governance. Furthermore, directors mentioned that the intensified relationship between CEOs and chairmen “is based on a delicate balance” and that “there is of course a risk that matters will be dealt with between the CEO and the supervisory board chairman too much on a bilateral basis”. One chairman summarized the impact of the increased challenges and tensions as follows: “The best way to throw a magnificent career away is to become chairman of a supervisory board”. To conclude, it is noteworthy that CEOs and chairmen seem to hint at different key implications. While CEOs emphasize the stronger focus on board control and more limited space for sparring with board chairmen, chairmen emphasize their increasing involvement in multiple areas, the increasing work load and the professionalization of the supervisory board as a key organizational body.

5.3 The (changing) structural position of supervisory board chairmen (1997–2005)

As discussed in the previous two paragraphs, both CEOs and supervisory board chairmen have witnessed significant changes in the Dutch corporate governance context that have had a profound impact on the role of the supervisory board chairmen. This raises the question as to how the structural position of board chairmen (such as demographics, network position, board activities, remuneration and turnover) has changed in the light of the environmental developments. Table 4 provides an overview of the evolving structural position of board chairmen. As shown, the demographics of supervisory board chairmen have, in fact, not significantly changed: a supervisory board chairman is typically around 65 years old, has a tenure of some 9 years on the board, is male and is likely to have Dutch nationality. However, the network position of supervisory board chairmen has changed significantly: while chairmen on average held 1.94 other supervisory board positions in 1997, this number decreased to 1.10 in 2005 (−43%). Similarly, the average number of additional supervisory board chairmanships decreased from 0.58 in 1997 to 0.38 in 2005 (−35%).

At the organizational level, several structural changes are visible. First, the number of board activities in which board chairmen are involved has significantly

Table 4 The structural position of the supervisory board chairman (1997–2005)

Chairman's demographics	1997	2001	2005	% change
Average age (years)	63.95	64.02	65.60	+**2.6** ($p = .145$)
Average Tenure (years)	9.84	9.68	9.03	−**8.2** ($p = .246$)
Gender (% male)	99	100	100	+**1.0** ($p = .320$)
Nationality (% Dutch)	96	92	94	−**2.1** ($p = .312$)
Chairman's network				
Number of other supervisory board positions at top-100 listed firms	1.94	1.45	1.10	−**43.4*** ($p = .000$)
Number of other chairmanships at top-100 listed firms	0.58	0.44	0.38	−**34.5** ($p = .002$)
Chairman's board activities				
Number of board meetings	6.51	7.50	8.27	+**27.0*** ($p = .000$)
Number of board committees	0.67	1.04	1.96	+**192.5*** ($p = .000$)
Miscellaneous				
Average amount of cash remuneration	€25.350	€34.580	€56.000	+**120.9***[a] ($p = .001$)
Average level of turnover (%)	6	12	18	+**200.0*** ($p = .000$)

* *T*-test shows that the difference is statistically significant at the $p = 0.05$ level

[a] Inflation-corrected % change in cash remuneration = 81.9*

changed over time: the number of board meetings has increased from 6.5 a year in 1997 to 8.3 a year in 2005 (+27%) and the number of board committees of the board has increased from 0.7 in 1997 to 2.0 in 2005 (+193%). The increasing workload is reflected in the remuneration policies of companies as the average cash salary of board chairmen has increased from €25,400 in 1997 to €56,000 in 2005 (+82%; inflation-adjusted). Simultaneously, the average level of turnover among supervisory board chairmen increased significantly: while 6 supervisory board chairmen were replaced in 1997, 18 board chairmen left their company in 2005 (+200%) in the top 100 listed corporations. In sum, the empirical results suggest that while the ongoing developments in the Dutch corporate governance context have coincided with higher levels of cash payment, more turnover and less additional supervisory board positions, board chairmen demographics, such as their age, tenure, gender and nationality, remained quite stable during our observation horizon.

6 Discussion and conclusion

Over the last decade, the corporate governance context in most Western countries has been changing rapidly and intensively (e.g., Ingley and Van Der Walt 2005; Kiel and Nicholson 2003; Yoshikawa et al. 2007). Generally, scholars have shown that these changes had a significant impact on the "checks and balances" and role of different stakeholders. In this paper, we have discussed the impact of institutional change on the role and position of the chairman on Dutch supervisory boards. A combination of thirty semi-structured interviews with supervisory board chairmen and CEOs, and archival data on the structural position of chairmen within the top-100 listed firms in the Netherlands, revealed that their role has been in transition during the period 1997–2007. Triggered by more regulation, greater influence of (activist) shareholders, corporate governance scandals and increasing convergence of the one-tier and two-tier board models, supervisory board chairmen have become more involved in their control and service roles. Interestingly, the opinions regarding the desirability of the evolving role of board chairmen varied widely within our sample. This development has also coincided with an increased workload (more board committees and meetings) resulting in fewer other board positions (interlocks), more cash remuneration and higher levels of chairman turnover during our observation window. At the same time, the demographic profile of chairmen has remained unaltered during the last decade.

The changing level and scope of the involvement of supervisory board chairmen has three major implications. *First*, greater societal expectations pose new challenges to board chairmen as they operate beyond their traditional roles and legal requirements in the two-tier model. In particular, supervisory board chairmen are increasingly challenged to combine the seemingly conflicting demands of control (such as independence, distance, and focus on the prevention of managerial opportunism) and service (i.e., interdependence, closeness, and focus on value creation) in their role fulfillment (Forbes and Milliken 1999; Van Hamel et al. 1998; Sundaramurthy and Lewis 2003). However, Dutch corporate law does not provide clear guidance on this matter. As a consequence, supervisory board chairmen increasingly operate in a grey area in which their independent non-executive position is at stake. The tensions between the new expectations of chairmen and the regulatory context manifest themselves especially in the ongoing national debate whether or not to employ the one-tier board model as a legal alternative to the two-tier board model in the Netherlands. *Second*, the combination of increased workloads and liabilities for supervisory board chairmen is putting more pressure on supervisory board chairmen and the pool of willing and qualified future candidates. While the unchanged demographics suggest that firms are still searching for supervisory board chairman with the same background and demographic profile, the developments may provide opportunities for executive search firms. Their services may become more valuable as it may be more difficult for corporations to find qualified candidates who are able to perform multiple roles. The need for such firms to provide aid in educating and evaluating supervisory board chairmen may increase as well. In this context, it can be expected that the market for directors will lead to a professionalization of the function of the board chairman (Peij 2005; Schilling 2001). *Third*, while the growing involvement of the supervisory board chairman may have a positive impact on the functioning of the board of directors and corporate performance, this development may also have negative consequences. The emphasis on board control, compliance, and shareholder value may result in more risk-averse behavior, more focus on short term efficiency and less a focus on innovation, R&D and strategic renewal (Hendry and Kiel 2004; Sundaramurthy and Lewis 2003). Furthermore, the decreasing network connectivity of supervisory board chairmen may limit the number of learning opportunities for firms. Both social network theory and resource dependency theory have emphasized that board ties are an important learning vehicle through which firms can tap into the knowledge base of interlocking partners (Boyd 1990; Mizruchi 1996; Westphal et al. 2001) and are useful devices to co-opt resources from the environment on which corporations are dependent (Mizruchi 1996; Pfeffer and Salancik 1978). Board chairmen and regulatory bodies should be aware of these positive and negative consequences of the contemporary corporate governance developments and should take them into account in their role fulfillment.

The study has several limitations, but also provides avenues for future research. *First*, this study has treated all supervisory board chairmanships similarly in order to establish a general trend. However, the changing role of the supervisory board chairman may be contingent on the specifics of a firm's internal and external context. For example, future studies could investigate how a firm's size, ownership structure (family versus dispersed ownership), network structure (peripheral versus central network position) and international exposure affect the extent to which the role of the supervisory board chairman has changed as a result of national and international corporate governance developments. Furthermore, in line with our choice for the individual as the unit of analysis, the evolving role of the board chairman might be contingent on a chairman's background, i.e., his/her status, professional training and experience. *Second,* the study has remained silent on the impact of the changing role of the board chairman on board processes, boards' task performance and corporate performance (Hambrick et al. 2008; Huse 2005, 2007; Pugliese et al. 2009). Ideally, future research could examine these issues by taking a longitudinal and multi-level approach, i.e., an in-depth investigation of the individual and group behavior of directors during an extensive time period. *Third*, the evolving role of the supervisory board chairman may be contingent on the Dutch context. Future research studies could examine to which extent the similar developments are observable in other countries with a two-tier board model (for instance, Austria and Germany) and in countries with mixed board models (for instance, Denmark, France, Italy and Macedonia). The growing popularity and use of 'lead directors' on one-tier boards suggest that the observed trend may actually be part of a two-way convergence of board models. *Fourth,* given the exploratory nature and relatively limited number of study participants, a total of thirty board members were selected through convenience sampling, our empirical findings should be interpreted with care. Future research at a larger scale is necessary to confirm the observed developments.

Our study has shown that the role of the supervisory board chairman is undergoing significant changes in the Netherlands. The changing role expectations pose new challenges and provide new opportunities for managers and supervisory board members, shareholders, regulators and executive search firms. In particular, regulators are being confronted with shareholder and societal expectations that go beyond the legal possibilities that exist in the two-tier board model. And last but not least, supervisory board chairmen are facing the challenge to manage the increasing complexity and conflicting stakeholder expectations. The future will show how supervisory board chairmen will cope with these tensions and to what extent their role will converge to that of the "one tier board chairman".

Acknowledgments We wish to thank the directors involved in this research for their cooperation. Furthermore, we highly appreciated the helpful comments of Drs. Rob Pieterse and the three anonymous reviewers, and thank Spencer Stuart Amsterdam for the data from the Netherlands Board Indexes. An earlier version of this paper was presented at the European Academy of Management in Liverpool, May 2009.

Appendix A

See Tables 5 and 6.

Table 5 Overview interviewed supervisory board members

Willy Angenent	Chairman of the supervisory boards of Vedior NV and FMO
Adri Baan	Chairman of the supervisory boards of AFM, Hagemeyer NV, Wolters Kluwer NV and Volker Wessels BV
Jan-Diederik Bax	Chairman of the supervisory boards of Vopak NV and Smit Internationale NV
Rob van den Bergh	Former CEO of VNU NV and multiple supervisory board positions
Henk Bodt	Former CEO of ASML NV and multiple supervisory board positions
Rene Dahan	Chairman of the supervisory board of Ahold NV
J. Fokko van Duyne	Chairman of the supervisory boards of Gamma NV, OPG NV and De Nederlandsche Bank
Cor Herkströter	Chairman of the supervisory board of DSM NV
Paul van den Hoek	Chairman of the supervisory boards of ASMI NV, Buhrmann NV, Robeco NV and Wavin NV
Jan Hommen	Chairman of the (supervisory) boards of ING NV, TNT NV and Reed Elsevier NV
Jan Kalff	Chairman of the supervisory boards of Stork NV and Schiphol Group NV
Wim de Kleuver	Chairman of the supervisory board of Philips NV
Gert-Jan Kramer	Former CEO of Fugro NV and multiple supervisory board positions
Cees van Lede	Chairman of the supervisory board of Heineken NV and Sare Lee/De International BV
Aarnout Loudon	Former chairman of the supervisory boards of ABN Amro NV and Akzo Nobel NV
Floris Maljers	Former chairman of the supervisory boards of Philips NV and VendexKBB NV
Rinus Minderhoud	Chairman of the supervisory board of Getronics NV
Ton Risseeuw	Chairman of the supervisory boards of KPN NV and Intergamma BV
Willem Stevens	Multiple supervisory board positions
Jaap Vink	Chairman of the supervisory board of Samas NV
Rob Zwartendijk	Chairman of the supervisory boards of Numico NV, Nutreco NV and Blokker BV

One non-executive director is not identified by name. Not all current and former board positions of participants are listed

Table 6 Overview interviewed CEOs

Rudy de Becker	CEO of Hagemeyer NV
Rijkman Groenink	Former CEO of ABN Amro NV
Guus Hoefsloot	CEO of Heymans NV
Rokus van Iperen	CEO of OCE NV
Frans Koffrie	CEO of Corporate Express NV
Zach Miles	CEO of Vedior NV
Ad Scheepbouwer	CEO of KPN NV and supervisory board chairman of Havenbedrijf Rotterdam NV
Joop van Oosten	CEO of BAM Groep NV

Not all current and former board positions of participants are listed

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